

TaxFacts

Washington State Department of Revenue

December 2011

Welcome to Tax Facts

This twice-yearly publication summarizes changes and provides information about tax laws administered by the Department of Revenue. By making this document available online, we are able to provide more information than was possible in the paper version.

Find articles of interest

We invite you to scroll through the pages, or click on the title in the Table of Contents to move directly to an article of interest. Click the Revenue icon in the top left corner to return to the contents page. Additional links within the articles will take you to our [website](#) where you can find more information on the topic.

Keep a copy for your files

This format allows you to print the whole document or just print the pages with information related to your business. If you are going paperless, just download this document to your computer.

Stay informed

Tax Facts is published each July and December. [Back issues of Tax Facts](#) are available on our website.

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Filing your return

Tax return tips

If you have been assigned a monthly, quarterly or annual reporting frequency, you must file a tax return even if you had no business activity and owe no taxes.

If you are an active non-reporting business and had business activity grossing over \$28K or were required to collect sales tax you must file a return.

Completing and filing your return online

E-file, the Department's online filing tool, is even easier now. Tutorials posted on the most commonly used pages provide filers with a step-by-step guide on how to complete the return. The tutorial also illustrates how you can customize your online return to show only the fields you need.

E-file offers automatic error checking and immediate delivery with a confirmation number. E-file also automatically calculates the Small Business B&O Tax Credit.

To use E-file, go to our website at dor.wa.gov and click *File my taxes online*.

Completing and filing a paper return

Use the paper return we mailed to you or download a return from our website. Use black ink when completing the return. If you are mailing a check with your return, the payment must be received by the Department by the return due date or penalties and interest may apply.

All monthly and quarterly filers are required to file and pay electronically.

Filing due dates

November 2011 return due December 27, 2011

December 2011 return due January 25, 2012

Quarter 4, 2011 return due January 31, 2012

Annual 2011 return due January 31, 2012

If you had no business activity, choose one of these options:

- Logon to your My account and select *Report no business*
- Tele-file a *no business* return using our automated telephone service at 1-800-647-7706
- File a *no business* paper return by checking the *no business activity* box on the return

Local sales/use tax changes

To find a location code and tax rate, see the [Local Sales and Use Tax Rates and Changes Flyer](#) available on our website or included with your paper tax return. Select [Find taxes and rates](#) from our home page, then select [List of sales and use tax rates](#).

You can also find the correct tax rate and location code using our online [Tax rate lookup tool](#).

Small business B&O tax credit

Don't forget to check if you qualify to take the [Small Business B&O Tax Credit](#). Instructions and a chart to calculate the credit are included with your tax return (E-file does this automatically).

Calculate the litter tax

Retailers, wholesalers, and manufacturers of certain products owe litter tax on the value of the product or the gross proceeds from the sales of these products. ([WAC 458-20-243](#))

Need help? Call for assistance at 1-800-647-7706.



Filing your return

Year-end tax filing questions? We can help!

Internet services: dor.wa.gov

Use our website to find all the resources you'll need to complete and file your excise tax return. You can also update or change your business information or close your business online. Simply click on the *Doing business* tab, then find the service you need under the *My account* heading.

Automated telephone services: 1-800-647-7706

Our toll-free automated services provide many options that allow you to:

- Order forms and publications
- Change address information
- Close your business account
- Make other changes to your account

Telephone information center: 1-800-647-7706

Call us for assistance from 8 a.m. to 5 p.m., Monday through Friday. In January, the phone lines get very busy. To avoid a long wait, call early in the month. Other helpful tips include:

- Have your UBI/tax registration number available. This nine-digit number is printed on your tax return, above the name and address label.
- Know the type of return you've received – Combined Excise Tax Return, Business and Occupation Activities Tax Return, or Retailing and Other Activities Tax Return.
- Have your gross income figures (not including any sales tax collected) available to complete the return.
- Stay on the line and be patient – we answer every call in the order received.



Tax news

State moves towards more electronic communication

Due to shrinking budgets for state agencies and the Governor's directive to expand electronic communication, the Department has created a new listserv.

Stay informed—join our new General Information listserv.

As a Washington State business owner, you are responsible for knowing which taxes you need to report. But things keep changing and it can be difficult to keep up.

The Department has made it easier for you to stay informed. We have created a General Information listserv that will alert you to new legislation, revisions to tax law, rate changes, and any Department programs that may impact your businesses.

Signing up is easy. Just go to [Email Updates \(Listservs\)](#) in the left column of our website, enter your name and email address, click Join next to *General Information*, then click submit.

New way to authorize sharing and sending your confidential tax information

We recently combined our Confidential Tax Information Authorization (CTIA) with our Email/Fax Authorization, creating a simple [one page form](#) that can be used to authorize:

- A third party (e.g., accountant, attorney, etc.) to receive your confidential tax information.
- The use of regular email or fax to send your confidential information.

Having both of these functions on one form makes it easier for you to share and/or receive your confidential tax information. Just complete the appropriate sections.

Update your business information with the Department

The increased use of electronic communication makes it important that we have your current email address. You can update that information on our website at any time. If you have an online account, [sign in](#), click on *Manage business account* in the left column, then click on *Update business information*.

If you don't have an online account, you can also [update your business information](#) electronically.



Tax news

Voters approve privatizing liquor sales; Revenue to begin collecting liquor taxes

On November 8, 2011, Washington State voters passed Initiative 1183—privatizing liquor sales in Washington. The impact of the legislation requires the state to:

- Authorize licensed distributors to begin selling liquor to licensees on March 1, 2012
- Allow licensed retailers to sell spirits June 1, 2012
- Close state liquor stores no later than June 1, 2012
- Repeal the Liquor Control Board's authority to set prices for spirits and eliminate the state markup

As a result, the Liquor Control Board will be responsible for the regulation and enforcement of liquor sales, as well as approving liquor license applications and collection of the new license fees. The Department of Revenue will take on the responsibility of collecting liquor taxes and administering the license application process.

As we work to effect this transition, we will post information under the News & announcements section of our [website](#). Check back often for the most recent updates.

Quarterly taxpayers required to file returns electronically

Legislation that became effective July 23, 2011, requires quarterly taxpayers to electronically file and pay their taxes. Monthly taxpayers have been required to file electronically since 2009.

E-File, our online filing tool, offers several different E-Pay options including electronic funds transfer (debit or credit), e-check or credit card payments. Taxpayers who are unable to file electronically have the option of requesting a waiver. More information about [electronic filing](#) is available on our website.

Safeco Field stadium taxes ended October 1, 2011

On October 1, 2011, King County discontinued the taxes levied to pay the bonds for the construction of Safeco Field. These included the King County food and beverage tax as well as the additional 2 percent tax on rental cars.

Everett office closed, Bothell office now open to the public

The Department closed its Everett office on August 26, 2011, and relocated the staff to its Bothell location. The Bothell office opened a new customer service counter on Monday, August 30.

Consolidating the two offices will reduce the agency's future operating costs, while allowing continued face-to-face assistance to taxpayers north of Seattle. The Bothell office is located at 19800 North Creek Parkway, Suite 101. The phone number to the office is (425) 984-6400. For directions, a mailing address, or the fax number, see the [Bothell office](#) information on our website.

Washington State launches one-stop resource for small businesses

Questions about planning, starting, running or growing your small business? Check out the new one-stop resource for small business information from Washington State. Spend less time looking for the answers and more time using them. Visit www.ora.wa.gov/business.asp.



Tax news

New! Online guides provide detailed information for you. You'll find these new guides and many more on our website.

Taxi/limo guide

This new online guide provides comprehensive information to help owners and independent drivers of taxicabs and limousines understand how Washington's retail sales tax, business and occupation (B&O) tax, and public utility tax apply to their activities. To view the guide, click on Get a form or publication from our home page, then select [Industry guides](#) listed under Top publications, then select *Taxicabs (and Limousines)* guide. The guide covers:

- Income a taxicab owner receives from renting a taxicab to a driver
- Fare income
- Additional charges for fuel, additional passengers and baggage
- Tips

Insurance guide

Even though income received by insurers that is subject to the premiums tax is exempt from business and occupation (B&O) tax, the B&O tax exemption does not extend to sales or use tax. This new online guide helps insurers understand their sales and use tax liability. To view the guide, click on Get a form or publication from our home page, then select [Industry guides](#) listed under Top publications, then select *Insurance Industry*. The guide covers:

- Common terms
- Sales and use tax
- Paying sales and use tax

Self-service storage business guide

This new online guide provides comprehensive information to help self-service storage businesses understand how Washington's retail sales tax and business and occupation (B&O) tax apply to their activities. To view the guide, click on Get a form or publication from our home page, then select [Industry guides](#) listed under Top publications, then select *Self-Service Storage Businesses*. The guide covers:

- Retail sales of tangible personal property
- Sales of storage unit contents
- Sales conducted by auctioneers



New laws, rules and notices

Rule making

Below is a listing of the Department of Revenue's recent tax rule adoptions and repeals. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, go to dor.wa.gov and click on *Find a rule or law*, then under *Rule making* click *Adoptions and repeals*.

Questions? Call our Telephone Information Center at 1-800-647-7706.

Excise tax rules (WACs) adopted or amended:

Effective October 2011

- 458-20-19404 Financial Institutions – Income apportionment
- 458-20-19403 Single factor receipts apportionment – Royalties
- 458-20-19402 Single factor receipts apportionment – Generally
- 308-300-160 Total fee payable – Handling of fees

Effective September 2011

- 458-20-19401 Minimum nexus thresholds for apportionable activities

Effective August 2011

- 458-20-10001 Adjudicative proceedings-Brief adjudicative proceedings
 - Certificate of registration (tax registration endorsement) revocation
- 458-20-273 Renewable Energy System Cost Recovery
- 458-61A-301 Payment of tax, collection responsibility, audit responsibility, and tax rulings
- 458-61A-107 Option to purchase
- 458-61A-102 Definitions
- 458-61A-101 Taxability of the transfer or acquisition of the controlling interest of an entity with an interest in real property located in this state
- 458-61A-100 Real estate excise tax – Overview

Changes to interpretive/policy statements

We issue interpretive and policy statements, such as Excise Tax Advisories (ETAs), to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise tax advisories (ETAs) issued:

- ETA 3167.2011 Taxability of Fees Charged for Amusement and Recreation Services. *Issued July 1, 2011.*
- ETA 3054.2011 Sales to residents of states or possessions of the U.S., and territories or provinces of Canada, that do not impose a tax of at least three percent. *Issued August 12, 2011.*
- ETA 3168.2011 Meal Assembly Kitchens. *Issued August 19, 2011.*
- ETA 3024.2011 Public Works Contracts. *Issued October 3, 2011.*

Property tax advisories (PTAs) issued:

- PTA 12.2.2011 Classification of Land Used for Christmas Tree Production
- PTA 6.2.2011 Property Taxability of Motor Vehicles



New laws, rules and notices

Special Notices

The following Special Notices were issued in the last few months. These notices discuss current issues as well as changes resulting from legislation. They are available online at dor.wa.gov under [Get a form or publication](#). You may also call 1-800-647-7706 to have a copy sent to you.

Fruit and vegetable processors may qualify for B&O tax refund

Due to the passage of Initiative 1107, the Department changed its policy regarding qualifying end products for purposes of the B&O tax exemption under RCW [82.04.4266](#) for fresh fruit and vegetable processors. Some processors that did not previously qualify for this exemption may now qualify.

Issued November 10, 2011.

Replacement parts for irrigation systems and water wells

RCW [82.08.855](#) and RCW [82.12.855](#) provide sales and use tax exemptions for replacement parts for qualifying farm machinery and equipment and services to install eligible replacement parts. This Special Notice explains which items in an irrigation system and water well system actually qualify for the sales/use tax exemption under these statutes. *Issued August 18, 2011.*

Taxability information for providing landscape maintenance, ecological restoration, and wetland banking activities

This Special Notice clarifies how certain landscape maintenance activities are taxable. Many services performed by landscape maintenance providers, including ecological restoration, wetland banking, etc., are considered to be retail services and are subject to retail sales tax and retailing business and occupation (B&O) tax. *Issued August 18, 2011.*

City-imposed municipal utility taxes are part of taxable gross income

In some cases, cities provide utility services directly to their citizens. Many cities also impose a municipal utility tax on the providers of certain utility services. This Special Notice explains that the entire amount charged to and collected from customers must be considered gross revenue to the utility provider. *Issued August 15, 2011.*

B&O tax rate lowered for printing and/or publishing of newspapers

Engrossed House Bill 2122 (Chapter 461, Laws of 2009) provided a reduced B&O tax rate for businesses that print newspapers, publish newspapers, or both. However, electronic versions of newspapers no longer qualify for the reduced B&O rate beginning July 1, 2011. The legislation did not change the definition of a newspaper provided in RCW [82.04.214](#). *Issued August 30, 2011.*

Washington Tax Decisions

For specific information on recently issued Washington Tax Decisions (WTDs), or for more information regarding how these decisions may affect you, go to dor.wa.gov, click on [Find a rule or law](#), then click on a link under the heading Washington Tax Decisions (WTDs).



Tools and resources

Online videos

At dor.wa.gov under "Learn about..."

How to prepare for an audit

The idea of an audit can sometimes be intimidating, especially if you don't know what to expect. The state has developed an online video to help small business owners understand audits by the Departments of Revenue, Labor and Industries, and Employment Security. The video covers general audit information, what each agency looks for in an audit, your responsibilities, how the audit proceeds from start to finish, and how to appeal an audit decision.

E-file is even easier with our online tutorial

If you have yet to discover the advantages of filing online, now's the time. The Department recently added page-specific tutorials to E-file that will help the novice filer complete and submit a tax return with confidence.

The tutorials address the most common questions new filers have. They also teach you how to customize your return so it shows only the fields you have to complete. To view the tutorial, just click the Tutorial icon near the upper right corner of the E-file page.

There are many advantages to filing electronically. E-file offers an automatic review to check for errors or missing information. It also offers guaranteed delivery and a confirmation code – no more last minute dashes to the Post Office. Also, when you file online, your return is stored for you in your account. You have 24/7 access to electronically filed returns.

To access E-file, go to our website at dor.wa.gov and click on *File my taxes online* (E-file). If you don't have an online account with us, click on *Register now* and follow the prompts.



Website: dor.wa.gov

1-877-345-3353



Tools and resources

Update your business information

The Department works hard to notify businesses when there are changes, but we can't reach you if we don't have your current contact information.

If you have an online account with the Department, we request that you [log on](#), select *Manage business account* and choose *Update business information*. If you don't have an online account, you can update your information by calling 1-800-647-7706.

Stay informed. Join our distribution lists

If you have an interest in a particular issue, chances are there is an email distribution list that will provide you with the most recent updates. Distribution lists can also provide you with filing reminders, changes to excise tax rates, news releases and many other topics. Just choose the information or service you're interested in and join the list.

To sign up for one of our distribution lists, go to our website at dor.wa.gov and click on *Doing business*. Under *My account*, click on *More services*, then click on *Email notifications* and follow the directions.

Free tax workshops

We offer workshops free of charge throughout the state. To view the schedule or for more information, visit our website at dor.wa.gov, click on *Workshops and education* from the left side menu. Once you find the workshop that's right for you, register online or call us to sign up.

Contact

Bellingham	(360) 594-4840	Spokane	(509) 327-0200
Bothell	(425) 984-6400	Tacoma	(253) 382-2000
Kent	(425) 656-5100	Tumwater	(800) 647-7706
Port Angeles	(360) 417-9900	Vancouver	(360) 256-2060
Richland	(509) 987-1201	Wenatchee	(509) 663-9714
Seattle	(206) 727-5300	Yakima	(509) 454-5160